

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN ALLAN WALTERS**, on February 16, 2001
at 8:00 A.M., in Room 455 Capitol.

ROLL CALL

Members Present:

Rep. Allan Walters, Chairman (R)
Rep. Debby Barrett, Vice Chairman (R)
Rep. Tom Dell, Vice Chairman (D)
Rep. Norma Bixby (D)
Rep. Dee Brown (R)
Rep. Donald L. Hedges (R)
Rep. Hal Jacobson (D)
Rep. Larry Jent (D)
Rep. Larry Lehman (R)
Rep. Ralph Lenhart (D)
Rep. Gay Ann Masolo (R)
Rep. Douglas Mood (R)
Rep. Alan Olson (R)
Rep. Holly Raser (D)
Rep. Rick Ripley (R)
Rep. Clarice Schrumpf (R)
Rep. Frank Smith (D)

Members Excused: Rep. Michelle Lee (D)

Members Absent: None.

Staff Present: Sheri Heffelfinger, Legislative Branch
Ruthie Padilla, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 565, 2/9/2001; HB 518,
2/9/2001; HB 116, 2/9/2001
Executive Action: HB 518; HB 116; HB 496; HB
508; HB 565

HEARING ON HB 565

Sponsor: REPRESENTATIVE RON ERICKSON, HD 64, MISSOULA

Proponents: Tom Bilodeau, MEA-MFT
Glen Leavitt, Montana University System
Kay Unger, MEA-MFT
James Kembel, TIAA-CREF

Opponents: Kelly Jenkins, Public Employees Retirement Board

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 3.5}

REPRESENTATIVE RON ERICKSON, HD 64, MISSOULA said this bill will fix the University System optional retirement program. It is a fairness bill and will have little impact on the general fund. The fiscal impact is about 6.6 million dollars over the biennium and is money that is currently spent by the University System and would be paid by the state if the bill were to pass. This would be a benefit to the faculty. Currently some faculty are getting 7% and others are getting 4%. The university will also benefit, because they are the ones currently paying these costs. He briefly discussed the background of the University System retirement and said the state should pick up the Universities share to allow the University to flourish.

Proponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 9.4}

Tom Bilodeau, MEA-MFT submitted and discussed his written testimony **EXHIBIT (sth39a01)** and a comparison of Western States University Contributions. **EXHIBIT (sth39a02)**

Glen Leavitt, Montana University System stated when they were approached with this bill they approved, but had a concern the appropriation would reduce the Universities regular appropriation. They are no longer concerned and are in full support of the bill .

Kay Unger, MEA-MFT submitted and discussed written testimony. **EXHIBIT (sth39a03)**

James Kembel, TIAA-CREF, submitted and discussed a document that would show the impact on the benefits discussed. **EXHIBIT (sth39a04)**

Opponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 27.3}

Kelly Jenkins, Public Employees Retirement Board said while they applaud the University System to provide extra money for retirement. PERS could use the money in the systems they administer. They have a major problem with the bill because it is discriminatory. There are several groups who have evidence they are not receiving enough contributions. The cost of seven million in this bill covers one biennium. The next biennium the cost will be 7.5 to eight million dollars and the cost will continue to increase each biennium for the next thirty years. The total cost to the general fund would be over one quarter off a billion dollars.

Questions from Committee Members and Responses:

{Tape : 1; Side : B; Approx. Time Counter : 2.7}

REPRESENTATIVE SMITH asked if they want the state to pay instead of the university. **Tom Bilodeau** replied the University System currently pays 4.04% of faculty salaries to TRS. They are asking the state to pay about 3.4 million the first year of the biennium and 3.9 million in the second year. **REPRESENTATIVE SMITH** then asked would the university system have a request for appropriations? **Tom Bilodeau** said they agreed with the university system it would not reduce the universities appropriation.

REPRESENTATIVE LEHMAN asked what the average salary was for a professor. **Glen Leavitt** stated the average Professor is paid \$53,000, the average Associate Professor is \$44,000.00 and the average Assistant Professor is \$36,000.00 with about 3,000 faculty members in the system.

REPRESENTATIVE MOOD stated it was his understanding the university is currently paying 4.04% of the salary to pay off an unfunded liability that was in place when they switched from a defined benefit plan. **Tom Bilodeau** said at the time the switch occurred the program was optional with different protective costs. When participation became mandatory it has created a huge dispute every session regarding the amount the university should pay for the unfunded liability. As the percentage rate changed unfunded liability repayments were adjusted. In 1997 legislature agreed to come up with one actuarial study per biennium to adjust the percentage rate and repayment period. It is variable and is currently set at 4.04% and a 32 years payoff. **REPRESENTATIVE MOOD** then clarified the rate may change, however, the purpose was always to pay off the debt. **Tom Bilodeau** stated that was correct.

REPRESENTATIVE MOOD asked if the individuals enrolled in the TRS, pay contribute a portion of their salary to pay off the unfunded liability and if so what the amount is. **Tom Bilodeau** replied yes they do and the amount payed is 5%.

REPRESENTATIVE MOOD stated this bill was presented as a fairness issue. He just heard that the current (TRS) enrollee pays 5% and the University Systems pay 4.04%. He then asked would it be fair to raise the amount that goes to the ORP enrollee to 5% to make all contributors pay the same. **REPRESENTATIVE ERICKSON** replied no, he does not think there is a fairness issue. The fairness issue is the TRS individuals are contributing more of their salary to a retirement plan then the ORP folks. **REPRESENTATIVE ERICKSON** and **REPRESENTATIVE MOOD** then discussed and went over gray retirement summary table. **Glen Leavitt** also clarified table 5 and table 9 with **REPRESENTATIVE MOOD**.

Closing by Sponsor:

{Tape : 1; Side : B; Approx. Time Counter : 24.8}

REPRESENTATIVE ERICKSON stated he understands what is happening with the numbers but the numbers are not relevant. What is relevant is faculty members have a defined retirement program. The TIAA-CREF program is one that fluctuates with the stock market. If the state would pay a set amount to both programs and eliminate d liabilities the retirees would be okay. This is a fairness issue that should be passed.

HEARING ON HB 518

Sponsor: **REPRESENTATIVE GAY ANN MASOLO, HD 40, TOWNSEND**

Proponents: **Tom Ebzery, Montana Contractors Association**

Opponents: **None**

Informational: **Alec Hanson, Montana League of Cities & Towns**
Joe Mazurek, City of Great Falls

Opening Statement by Sponsor:

{Tape : 1; Side : B; Approx. Time Counter : 28.2}

REPRESENTATIVE GAY ANN MASOLO, HD 40, TOWNSEND stated the bill would allow a city or town to contract up to \$50,000.00 for construction, repair or maintenance without getting bids. Currently the limit is \$25,000.00 and needs to be increased.

Proponents' Testimony:

{Tape : 1; Side : B; Approx. Time Counter : 29.5}

Tom Ebzery, Montana Contractors Association stated contractors like the idea of the bill and are in support of the bill.

Informational Testimony:

{Tape : 1; Side : B; Approx. Time Counter : 31.1}

Alec Hanson, Montana League of Cities & Towns said they have identified a few issues in the bill. If the bill goes forward they will have to oppose it unless these issues are addressed.

Joe Mazurek, City of Great Falls said they have worked closely with local contractors to resolve some of the issues. They support the ideal behind the bill, however, they feel there are some details to be worked out between contractors and local governments.

Questions from Committee Members and Responses: None

Closing by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 1.8}

REPRESENTATIVE MASOLO stated the League of Cities and Towns suggested an amendment which is not acceptable. In the absence of an agreement she asked the committee to table the bill.

HEARING ON HB 116

Sponsor: REPRESENTATIVE DOUG MOOD, HD 58, SEELEY LAKE

Proponents: Kelly Jenkins, Public Employees Retirement Board
Tom Schnieder, Montana Public Employees
Association
Glen Leavitt, University Systems

Opponents: None

Opening Statement by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 3}

REPRESENTATIVE DOUG MOOD, HD 58, SEELEY LAKE said the bill is on behalf of the Public Employees Retirement System. In 1999 HB 79

was passed which instituted a defined contribution plan for PERS. The plan will not be effective until July 2002. The rules are being set up to be compatible with federal laws.

Proponents' Testimony:

{Tape : 2; Side : A; Approx. Time Counter : 6.5}

Kelly Jenkins, Public Employees Retirement Board submitted written testimony **EXHIBIT(sth39a05)**. Due to the complexity and technicality of the bill created a chart to describes each section of the bill. **EXHIBIT(sth39a06)**

Tom Schnieder, Montana Public Employees Association stated they have been involved for 5 years and there will be continuing legislation on the bill. It's a very complicated subject and is going to take a lot of fine tuning. This bill takes care of several things that has happened in the past 2 years. He then clarified this bill will not end the problems with the defined contribution program, but is a start and they are in full support of the bill.

Glen Leavitt, University Systems said they support the bill and realize it is a very complex piece of legislation.

Questions from Committee Members and Responses:

{Tape : 2; Side : A; Approx. Time Counter : 18.2}

REPRESENTATIVE JENT asked , how does section 37 of the bill effect university employees. **Kelly Jenkins** replied only the university employees enrolled in PERS get the choice of the Optional Retirement Plan (ORP). This bill only deals with university employees who chose ORP). The will have 3 choices; stay with PERS benefit plan set up by formula, go into a defined contribution plan, or the Optional Retirement Program, administered TIAA-CREF. The contributions will be equal for all plans. **REPRESENTATIVE JENT** asked who is representing the university employees. **Tom Schnieder** replied they represent 1,600 University staff members. They do not represent Western or Northern. He believes they may share some of the representation with MEA-MFT.

REPRESENTATIVE DELL asked if a PERS member decides to switch to ORP with 12% of their salary deposited to their account will the passage of HB 116 cause their contribution to drop to 11.39%? **Kelly Jenkins** replied, they will not have a choice until July 2002. The contribution change will be in effect before anyone makes the choice.

REPRESENTATIVE BROWN asked if in 1½ years, 30,000 people in the State of Montana are going to have to choose between a defined contribution or defined benefit contribution. **REPRESENTATIVE MOOD** replied yes. **REPRESENTATIVE BROWN** then asked if she could suggest an amendment to address all the problems heard in the last month, that there be something written on how individuals will opt in and out and require a signature so they are insured they have been informed of the plans. **REPRESENTATIVE MOOD** replied that has already taken place and will be part of the process.

REPRESENTATIVE LEHMAN reiterated the contribution percentages and classification of jobs with **Kelly Jenkins**.

REPRESENTATIVE LEHMAN asked if teaching assistants are involved in this process. **Glen Leavitt** replied this would have no effect on them.

Closing by Sponsor:

{Tape : 2; Side : B; Approx. Time Counter : 4.2}

REPRESENTATIVE MOOD said he wants to encourage some of the individuals to remain on the committee because of the complexity of the retirement bills. He then asked for a do pass of the bill.

EXECUTIVE ACTION ON HB 518

{Tape : 2; Side : B; Approx. Time Counter : 6.7}

Motion: REP. OLSON moved that HB 518 DO PASS.

Substitute Motion/Vote: REP. MASOLO made a substitute motion that HB 518 BE TABLED. Substitute motion carried unanimously. 15-0

EXECUTIVE ACTION ON HB 116

{Tape : 2; Side : B; Approx. Time Counter : 8.4}

Motion: REP. MOOD moved that HB 116 DO PASS.

Discussion:

REPRESENTATIVE DELL said he had his concerns answered and is in full support of the bill.

Motion: REP. MOOD moved that HB 116 BE AMENDED.

Discussion:

REPRESENTATIVE MOOD submitted and discussed the proposed amendment to the bill. **EXHIBIT(sth39a07)**

Motion/Vote: REP. MOOD moved that HB 116 BE AMENDED. Motion carried unanimously. 16-0 with LEE and WALTERS absent.

Motion/Vote: REP. MOOD moved that HB 116 DO PASS AS AMENDED. Motion carried unanimously. 17-0 with LEE absent.

EXECUTIVE ACTION ON HB 496

{Tape : 2; Side : B; Approx. Time Counter : 16}

Motion: REP. RIPLEY moved that HB 496 DO PASS.

Motion: REP. OLSON moved that HB 116 BE AMENDED.

Discussion:

Sheri Heffelfinger explained what effect the amendment will have on the bill.

REPRESENTATIVE BROWN stated in her district there are a lot of transients, that would be a nightmare to try to personally serve a writ. **REPRESENTATIVE JENT** clarified they do not have to be personally served the writ. The writ has to be personally served to the bank.

REPRESENTATIVE LEHMAN asked if Social Security Numbers can be used for this purpose. He does not feel the Social Security Number should be on the debt collection paper. **REPRESENTATIVE OLSON** said they can use SOCIAL SECURITY NUMBER or Tax Identification Number.

REPRESENTATIVE BROWN said there are a lot of common names out there and without a SOCIAL SECURITY NUMBER, it would be very difficult for the banks to identify the individual. She feels it needs to be on the papers.

Motion: REP. JENT moved that the AMENDMENT to HB 496 BE AMENDED.
Vote: Motion carried unanimously. 17-0 with LEE absent.

Motion: REP. OLSON moved that HB 496 BE AMENDED. **Vote:** Motion carried unanimously. 17-0 with LEE absent.

Motion/Vote: REP. OLSON moved that HB 496 DO PASS AS AMENDED. Motion carried unanimously. 18-0

EXECUTIVE ACTION ON HB 508

{Tape : 3; Side : A; Approx. Time Counter : 0.9}

Motion: REP. RASER moved that HB 508 DO PASS.

Discussion:

REPRESENTATIVE RASER stated the bill is very confusing and has had a lot of concerns from her constituents. She is not comfortable with passing the bill.

REPRESENTATIVE BARRETT said she her constituents have express concern with this bill.

REPRESENTATIVE BROWN said the people in her area voted down zoning and she knows they would not agree to take more rights from people.

REPRESENTATIVE HEDGES stated the bill gives the zoning board the ability to abolish the current plan. It provided for a county wide master plan in the 101. He feels this needs to be done.

Motion/Vote: REP. RASER moved that HB 508 BE TABLED. Motion carried 17-1 with Hedges voting no.

EXECUTIVE ACTION ON HB 565

{Tape : 3; Side : A; Approx. Time Counter : 6.8}

Motion: REP. BROWN moved that HB 565 DO PASS.

Discussion:

REPRESENTATIVE OLSON commented that this bill is lots and lots of money.

REPRESENTATIVE LENHART said the idea is wonderful but the money is not there.

REPRESENTATIVE DELL said he would benefit from the bill if it would pass because his wife is in the plan, but he is voting no for the bill. He feels the teachers really deserve this but the state cannot afford it.

Substitute Motion/Vote: REP. OLSON made a substitute motion that HB 565 BE TABLED. Substitute motion carried 17-1 with Lee voting no.

ADJOURNMENT

Adjournment: 10:35 A.M.

REP. ALLAN WALTERS, Chairman

RUTHIE PADILLA, Secretary

AW/RP

EXHIBIT (sth39aad)